



**GOVERNOR'S  
ENERGY EFFICIENCY & RENEWABLES TASK FORCE  
JIM DOYLE, GOVERNOR  
STATE OF WISCONSIN**

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Lee Cullen, Chair  
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February 25, 2004

Governor Jim Doyle  
State Capitol  
Room 115 East  
Madison, WI 53702

Dear Governor Doyle:

In September of last year, you created the Governor's Task Force on Energy Efficiency and Renewables. As chair of that task force, I write to offer the initial recommendations from the task force on short-term policy initiatives.

Before the close of the current legislative session, the task force recommends several initiatives to increase energy efficiency and renewable energy use in the state. These recommendations are:

**Renewable Energy Use Targets for State-Owned Facilities**

The task force recommends the adoption of renewable energy use targets for state-owned facilities. While private utilities are statutorily required to include minimum percentages of renewable energy in their content mix, the state, as a consumer of electricity, is bound to no similar law in making its purchasing decisions.

The task force recommends that the state either purchase or generate 10% of its electricity from renewable resources by 2005 and 20% by 2010. The intent of this proposal is twofold. First, it firmly commits the state to renewable energy, acting as a model for private consumers. Secondly, it also encourages the development of renewable utility projects given the state's significant buying power.

A specific proposal is attached with a preliminary fiscal analysis.

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**Task Force Members**

Nino Amato • Rep. Spencer Black • Peter Bock • James Boullion • Forrest Ceel • Sen. Rob Cowles • Lee Cullen • George Edgar • Kristine Euclide • Dave Helbach • Charles Higley • Rep. Scott Jensen • Douglas Johnson • Charles McGinnis • Thomas Meinz • Don Reck • Keith Reopelle • Sen. Fred Risser • Brian Rude • Larry Salustro • Randy Schneider • David Simon • Roy Thilly • Michael Vickerman • Mark Williamson •

### **Use of Energy Efficient Products in State Facilities**

Senator Cowles has introduced a bill, SB 111, which would increase the energy efficiency standards for equipment installed in state construction projects. Specifically, this bill would require the state to incorporate new Environmental Protection Agency and heating, ventilation and cooling equipment standards as they are released, keeping the state up-to-date with the most energy efficient codes available. The legislation is attached with a fiscal analysis from the Department of Administration.

The task force recommends this legislation with some revisions. First, the Illuminating Engineering Society (IES) standard should not be included as a part of the final legislation. Secondly, specific deadlines should be included to establish the timing of adoption of new codes once they are available. Senator Cowles, a member of the task force, has offered to revise the legislation with these changes. The task force recommends this revised bill as a second short-term policy initiative.

### **Hybrid Electric Vehicles for Use in the State Fleet**

State law currently requires the use of alternative fuels, to the extent feasible, in operating vehicles owned by the state. A bill introduced by Senator Cowles, SB 155, would expand the definition of alternative fuels to include hybrid electric vehicles, which have recently come to market. The legislation is attached with a fiscal analysis from DOA. There would be no fiscal impact to the state in adopting this legislation.

The task force recommends this initiative as a lower-cost means to give the state more flexibility in purchasing alternative fuel cars.

### **Sales Tax Exemption for Small-Scale Renewable Systems**

Small-scale renewable energy systems such as solar panels and small wind turbines are currently taxed by the state upon purchase. A bill has been introduced, AB 762, which would exempt all renewable energy systems from both the sales and use tax. While this bill is broader than the task force believes is necessary, the legislation can be revised to reflect the recommendations of the task force. The legislation and a preliminary fiscal analysis are attached.

In recommending a revised version of AB 762, the intent of the task force is to encourage the purchase of small-scale renewable systems by reducing the upfront costs for buyers. The task force recommends small-scale systems be exempt from the sales tax but that this exemption not be extended to large-scale renewable systems. Thus, the task force recommends the installation size of the system be limited to two megawatts for electric systems and an equivalent limit for thermal systems. The task force further recommends that the legislation clarify this cap, ensuring that it apply only to small-scale systems (i.e. not the first two-megawatts of all projects nor each wind turbine that might be less than two megawatts in a large-scale wind farm).

Lastly, AB 762 provides for a use tax exemption for electricity generated from a renewable system and then sold to a third party consumer. Given the installation cap recommended above, only a miniscule fraction of the electricity generated by small-scale systems will be sold back to a utility. These small systems are largely on-site generation and consumption. Thus, the task force believes a use tax exemption is unnecessary given the installation size limitation. However, the task force

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recommends that a narrow provision be included to exempt the use of solar water heating services from a third party.

Limiting the sales tax exemption to apply to only small-scale systems and eliminating the use tax provision, with the exception of third party solar water heating services, will greatly reduce the fiscal impact of the bill. Under this reduced scope, the bill will reduce tax revenues to the state by approximately \$130,000 to \$200,000 annually.

**Promulgation of Rules for the Job Creation Act**

You recently signed into law 2003 Wisconsin Act 118, the Job Creation Act, which establishes new deadlines for the processing of air and water permits with the Department of Natural Resources. Attached is a letter recommended by the task force to Secretary Hassett requesting consideration of the treatment of small-scale environmentally friendly utility projects in the promulgation of rules for this Act. The task force requests that, without compromising environmental regulations, the permitting process for these small-scale projects be standardized. These renewable projects are prioritized under state statute, and the task force recommends their treatment be given consideration during the rule-making process for the Job Creation Act.

On behalf of the task force, we appreciate your consideration of these initial recommendations. We anticipate further recommendations will be forthcoming as the task force continues its work.

Please contact me if you would like to further discuss the matters above.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lee Cullen', with a stylized, cursive script.

Lee Cullen, Chair  
Governor's Task Force on Energy Efficiency and Renewables